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BEFORE THE ARIZONA CORPORATION COMMISSION

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IN THE MATTER OF THE APPLICATION OF
ARIZONA WATER COMPANY, AN ARIZONA
CORPORATION, FOR ADJUSTMENTS TO
ITS RATES AND CHARGES FOR UTILITY
SERVICE FURNISHED BY ITS WESTERN
GROUP AND FOR CERTAIN RELATED
APPROVALS

Docket No. W-01445A-04-0650

NOTICE OF FILING

The Residential Utility Consumer Office ("RUCO") hereby provides notice of filing the
Testimony Summary of William A. Rigsby in the above-referenced matter.

RESPECTFULLY SUBMITTED this 15th day of June, 2005.

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Attorney

AN ORIGINAL AND THIRTEEN COPIES
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of June, 2005 with:

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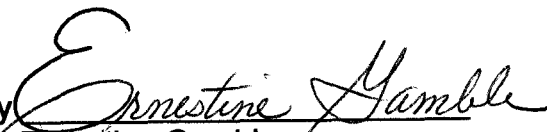
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By 
Ernestine Gamble
Secretary to Daniel W. Pozefsky

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**Arizona Water Company
Western Group
Docket No. W-01445A-04-0650
Rate Application**

**SUMMARY OF THE TESTIMONY OF WILLIAM A. RIGSBY
ON BEHALF OF THE RESIDENTIAL UTILITY CONSUMER OFFICE**

The following is a summary of the significant issues set forth in both the direct and the surrebuttal cost of capital testimony of RUCO witness William A. Rigsby, on Arizona Water Company's ("Arizona Water" or the "Company") application for a permanent rate increase for the Company's Western Group. The Western Group is comprised of the Company's Ajo Heights, Casa Grande, Coolidge, Stanfield, and White Tank systems. A full discussion of the cost of capital issues associated with Arizona Water's request for revenue relief and the underlying theory and rationales for Mr. Rigsby's recommendations are contained in the referenced documents. The significant issues associated with the case are as follows:

Capital Structure – Mr. Rigsby is recommending that the Commission adopt the Company's Test Year capital structure which is comprised of 73 percent common equity and 27 percent long-term debt.

Weighted Cost of Capital – Mr. Rigsby is recommending a 9.17 percent weighted cost of capital. Mr. Rigsby's 9.17 percent figure is based on the weighted cost of common equity and weighted cost of long-term debt. Mr. Rigsby's weighted cost of capital is the result of his recommended capital structure, his recommended

SUMMARY OF THE TESTIMONY OF WILLIAM A. RIGSBY (Cont.)

cost of common equity and his decision to accept the Company-proposed cost of long-term debt.

Cost of Common Equity – Mr. Rigsby is recommending a 9.44 percent cost of common equity. Mr. Rigsby's 9.44 percent figure is based on the results of his cost of equity analysis, which used both the discounted cash flow ("DCF") and capital asset pricing model ("CAPM") methodologies. Mr. Rigsby's recommended 9.44 percent cost of common equity figure takes the Company's equity-heavy capital structure into consideration.